

## **IRS PROVIDES PENALTY RELIEF FOR Y2K-RELATED PROBLEMS**

WASHINGTON – The Internal Revenue Service has taken steps to provide penalty and interest relief to taxpayers and businesses who might be unable to comply with the tax laws because of year 2000 problems beyond their control.

Following up on legislation enacted this year, the IRS will be prepared to waive tax penalties and interest for taxpayers who encounter major Y2K problems despite taking appropriate steps to prepare for the century date change.

“Taking a common-sense approach will help most taxpayers adequately prepare for Y2K,” IRS Commissioner Charles O. Rossotti said. “But the IRS stands ready to help if some taxpayers and businesses encounter Y2K tax problems beyond their control.”

The IRS can provide Y2K tax penalty and interest relief in cases where:

- Taxpayers make a reasonable effort to become Y2K compliant.

- A Y2K failure significantly affects a taxpayer’s ability to comply with the tax laws, such as inability to file on time or make tax payments or deposits on schedule.

- The tax law violation was unavoidable due to a Y2K failure or as a result of Y2K-related efforts to prevent disruption of essential services.

- Taxpayers alert the IRS about the problem.

Penalty relief means the IRS can abate or waive tax penalties, such as those for failure to file, failure to pay and failure to deposit.

Even if Y2K problems occur, most individual filers should have sufficient time to file their individual returns by this year’s tax deadline.

What does the IRS consider a reasonable effort to become Y2K compliant? It can mean such things as determining if your computer is Y2K compliant and asking your financial institution or your employer if they are Y2K ready.

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In short, taxpayers should embrace a common-sense approach. They should determine whether they have any tax records endangered by Y2K issues, take appropriate action and stay informed.

Most individual taxpayers can help prepare for Y2K by taking simple steps that are a good idea in any year:

For taxpayers relying on computers, they should print out pertinent financial documents and back-up any vital tax information. Taxpayers should save their final 1999 paycheck stub, which generally includes year-end totals. While this doesn't replace the W-2, it does contain basic information that can help people start preparing their tax returns.

"Anyone can have problems with their computer crashing or trouble getting a W-2, regardless of what year it is," Rossotti said. "Taking some preventive measures is sound tax advice, regardless of the calendar."

The penalty and interest relief will apply only to issues directly related to century-date-change problems.

If taxpayers encounter Y2K problems that have an impact on their tax returns or other elements involving tax law compliance, there are several steps they should take:

Notify the IRS as soon as possible after discovery by calling the toll-free help line at 1-800-829-1040.

Take prompt action to fix the Y2K problem after discovery.

Consider alternate ways to comply with the tax law.

When contacting the IRS, taxpayers should address five basic questions:

What was the Y2K failure?

How did it affect your ability to meet your tax obligations?

What steps did you take to become Y2K compliant?

When did you discover the failure?

When will the failure be corrected?

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## INDIVIDUAL FILERS

If individuals encounter problems receiving financial records, there are steps to take before contacting the IRS:

**Missing W-2 Forms.** Taxpayers should retain their last pay stub for 1999 until receiving a W-2.

If taxpayers do not receive a W-2 from their employer by Feb. 1, 2000, contact the employer to obtain the W-2. If taxpayers still cannot obtain the form, call 1-800-829-4477 and use TeleTax topic 154 for further assistance.

**Missing 1099 Forms.** If taxpayers do not receive a Form 1099 from the payer by Feb. 1, 2000, contact the payer to obtain the Form 1099. If taxpayers still cannot obtain the form, call IRS TeleTax at 1-800-829-4477 and listen to topic 154.

If individuals encounter Y2K problems, the penalty relief from the IRS may include abatement or non-assertion of estimated tax penalties for the January 2000 estimated tax payments.

## BUSINESS FILERS

Taxpayers should make a reasonable effort to anticipate, prevent and correct potential Y2K problems.

To find out about preventive steps to take, check out the Small Business Administration Y2K Internet Home Page at [www.sba.gov/y2k/](http://www.sba.gov/y2k/) or call 1-800-ASK-SBA. The Y2K Help Center at [y2khelp.nist.gov/tool.nsf](http://y2khelp.nist.gov/tool.nsf) provides small businesses and firms with free help, as does the President's Council on Year 2000 at [www.y2k.gov](http://www.y2k.gov).

**Filing Business Returns Ordinarily Due On Jan. 31, 2000:** If tax returns for employment and excise taxes ordinarily due on Jan. 31, 2000 end up being affected by Y2K-related computer problems, taxpayers should contact the IRS at 1-800-829-1040.

**W-2 and 1099 Problems For Businesses:** Businesses should take steps if they encounter problems distributing Forms W-2 or 1099.

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If they cannot meet the requirements for providing Forms W-2 or 1099 to their employees or payees, they should notify those people of the delay.

In addition, if businesses cannot meet the deadline for providing Forms W-2 or 1099 to employees or payees, they may request a 15-day extension of time by writing to the IRS before Jan. 31, 2000. The extension request should be mailed to:

IRS—Martinsburg Computing Center  
Information Reporting Program  
Attn: Postponement of Time Coordinator  
240 Murall Drive  
Kearneysville, WV 25430

## **TAX DEPOSITS FOR BUSINESSES**

**Federal Tax Deposits:** If businesses have a Y2K-related problem involving Federal Tax Deposits (FTD), they should:

Notify the IRS within five days of discovery at 1-800-829-1040.  
Take appropriate steps to fix the problem within 30 days of discovery.  
Pursue alternate ways to make deposits.

**Non-Electronic Federal Tax Payment System (EFTPS) business taxpayers:** Taxpayers who normally use coupons (Form 8109) to make deposits at a financial institution should make their deposit as they normally would. Taxpayers will not be penalized if they can establish they attempted a deposit and the failure to deposit involved a Y2K-related computer failure.

**EFTPS (voluntary participants):** Taxpayers who normally use EFTPS and are not required to do so can make their deposits at a financial institution using coupons (Form 8109) if they encounter a Y2K or EFTPS failure. These taxpayers will not be penalized if they can establish they attempted a deposit and a Y2K failure prevented the deposit.

**EFTPS mandated taxpayers:** Taxpayers required to use EFTPS and bulk/batch users are responsible for ensuring that their banks are Y2K compliant with the Federal Reserve Bank, including searching for backup banks and/or a backup automated clearinghouse (ACH) outlet (a means to initiate a Same Day/Fedwire transmission).

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Electronic Bulk and Batch Filers must follow the Bulk and Batch Filer Emergency Procedures in order to receive penalty relief consideration.

If EFTPS participants have a Y2K-related EFTPS problem, these businesses should call their Treasury Financial Agent (TFA) at:

Anexsys/First National Bank of Chicago    English: 1-800-945-8400  
Spanish: 1-800-945-8600  
TDD:         1-800-945-8900  
Bulk /Batch Filers Only:    1-800-945-0966

Bank of America (formerly Nationsbank) English: 1-800-555-4477  
Spanish: 1-800-244-4829  
TDD: 1-800-733-4829

The IRS is establishing a special contact group to receive calls from bulk and batch filers with more than 100 clients. This contact number will be provided to the bulk and batch filers through the EFTPS system.

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